Jewish Family and Children's Services

OF SAN FRANCISCO, THE PENINSULA, MARIN AND SONOMA COUNTIES

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

JEWISH FAMILY AND CHILDREN'S SERVICES
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June 30, 2019

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Jewish Family and Children's Services

Report on the Financial Statements
We have audited the accompanying financial statements of Jewish Family and Children's Services (the "Organization"), which comprise the statements of financial position as of June 30, 2019, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, the "financial statements").

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 3 to the financial statements, during the fiscal year ended June 30, 2019, the Organization adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information
We have previously audited the JFCS 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the restated audited financial statements from which it has been derived.

Report on Supplementary and Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

SingerLewak LLP

December 27, 2019

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

ASSETS

		2019		2018
Current assets				
Cash and cash equivalents	$	182,486	$	601,067
Accounts receivable, net		2,215,990		2,003,023
Grants and contributions receivable		4,359,255		5,013,822
Bequests receivable		2,000,000		-
Promises to give - use of facility, net		528,775		487,812
Notes receivable		100,410		100,229
Prepaid expenses and deposits		494,892		451,057
Total current assets		9,881,808		8,657,010
Noncurrent assets				
Grants and contributions receivable, net		320,778		415,055
Promises to give - use of facility, net		46,011		574,786
Notes receivable, net		372,919		283,329
Assets held in split-interest agreements		7,101,898		7,042,315
Investments		38,258,267		36,430,549
Property and equipment, net		18,967,274		18,903,542
Total noncurrent assets		65,067,147		63,649,576
Total assets	**$**	**74,948,955**	**$**	**72,306,586**

See notes to financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

LIABILITIES AND NET ASSETS

	2019	2018
Current liabilities		
Accounts payable	$ 721,675	$ 675,509
Line of credit	4,528,040	2,423,938
Accrued expenses	3,392,334	3,531,154
Capital lease obligation	74,617	60,979
Notes payable	663,027	640,622
Total current liabilities	9,379,693	7,332,202
Noncurrent liabilities		
Accrued expenses	1,834,694	1,923,634
Capital lease obligation	96,950	132,328
Notes payable	11,855,916	12,518,942
Liabilities under split-interest agreements, net	5,002,180	5,120,564
Total noncurrent liabilities	18,789,740	19,695,468
Total liabilities	28,169,433	27,027,670
Net assets		
Without donor restrictions	2,366,995	2,639,161
With donor restrictions	44,412,527	42,639,755
Total net assets	46,779,522	45,278,916
Total liabilities and net assets	**$ 74,948,955**	**$ 72,306,586**

See notes to financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

(Comparative Totals for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Revenue				
Public support				
Grants and contributions	$ 13,002,237	$ 4,980,844	$ 17,983,081	$ 16,528,244
Bequests	2,129,892	-	2,129,892	373,998
Special events revenue, net	168,707	-	168,707	336,520
In-kind contributions	123,382	-	123,382	154,068
Change in value of split-interest agreements	(85,110)	112,395	27,285	(41,751)
Total public support	15,339,108	5,093,239	20,432,347	17,351,079
Other revenue, gains and losses				
Program service fees	16,691,297	-	16,691,297	17,573,677
Market value adjustments - investments	1,480,027	-	1,480,027	1,654,404
Dividends and interest on investments, net	727,721	-	727,721	598,550
Loss on sale of investments	(131,780)	-	(131,780)	138,986
Loss on sale of fixed assets	(325)	-	(325)	(68,836)
Miscellaneous revenue	46,057	(8,129)	37,928	47,026
Interest income on loans	1,265	7,025	8,290	7,093
Rental income, net	39,325	-	39,325	10,115
Total other revenue gains and losses	18,853,587	(1,104)	18,852,483	19,961,015
Total revenue	34,192,695	5,092,135	39,284,830	37,312,094
Net assets released from restriction				
Satisfaction of program restrictions	3,319,363	(3,319,363)	-	-
Expenses				
Program services	32,414,864	-	32,414,864	31,011,059
Support services	5,369,360	-	5,369,360	5,110,312
Total expenses	37,784,224	-	37,784,224	36,121,371
Change in net assets	(272,166)	1,772,772	1,500,606	1,190,723
Net assets, beginning of year	2,639,161	42,639,755	45,278,916	44,088,193
Net assets, end of year	**$ 2,366,995**	**$ 44,412,527**	**$ 46,779,522**	**$ 45,278,916**

See notes to financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

(Comparative Totals for the Year Ended June 30, 2018)

	Program Services						Support Services				
	Older Adults	Children and Families	Émigrés	Adults	Social Enterprise Center	Total	Management and General	Development and Publicity	Total	Total 2019	Total 2018
Personnel costs											
Salaries and wages	$ 11,410,271	$ 3,564,652	$ 1,591,177	$ 976,694	$ 971,454	$ 18,514,248	$ 1,475,908	$ 1,389,601	$ 2,865,509	$ 21,379,757	20,121,649
Employee benefits	1,415,501	337,076	189,546	108,317	170,645	2,221,085	94,303	137,215	231,518	2,452,603	2,357,605
Payroll taxes	936,572	317,107	127,825	97,894	58,965	1,538,363	91,183	108,293	199,476	1,737,839	1,567,874
Retirement benefits	310,116	191,967	152,263	48,554	13,315	716,215	121,222	87,750	208,972	925,187	977,297
Workers' compensation insurance	545,343	31,015	28,596	8,268	148,320	761,542	8,440	10,422	18,862	780,404	992,767
Total personnel costs	14,617,803	4,441,817	2,089,407	1,239,727	1,362,699	23,751,453	1,791,056	1,733,281	3,524,337	27,275,790	26,017,192
Nonpersonnel costs											
Professional fees	666,279	501,229	174,105	111,714	41,826	1,495,153	212,707	257,748	470,455	1,965,608	1,978,625
Occupancy	639,341	329,769	80,751	148,143	25,928	1,223,932	125,486	158,668	284,154	1,508,086	1,613,688
Assistance to individuals	998,714	157,719	302,438	275,110	1,649	1,735,630	-	-	-	1,735,630	1,713,763
Depreciation	371,805	412,940	145,069	105,561	29,838	1,065,213	42,629	66,437	109,066	1,174,279	1,121,779
Transportation	204,477	34,193	424,818	8,182	27,668	699,338	4,826	5,486	10,312	709,650	663,878
Publicity	291,975	180,839	125,370	569	300	599,053	-	23,708	23,708	622,761	492,765
Supplies	130,326	104,511	85,179	26,407	117,149	463,572	51,752	106,898	158,650	622,222	483,516
Donor-advised grants	-	544,058	-	-	-	544,058	-	-	-	544,058	381,474
Interest	-	-	-	-	-	-	399,642	-	399,642	399,642	342,730
Insurance	89,513	38,359	38,255	14,460	25,803	206,390	75,652	12,086	87,738	294,128	291,237
Telephone	100,904	53,678	29,403	19,126	3,227	206,338	19,268	19,882	39,150	245,488	228,166
Printing and publications	37,875	36,018	8,057	6,240	1,732	89,922	16,949	73,245	90,194	180,116	209,311
Conferences and meetings	33,748	31,838	7,203	8,711	-	81,500	84,286	9,342	93,628	175,128	207,995
Equipment rental and maintenance	49,090	33,117	10,414	9,119	3,626	105,366	2,932	5,467	8,399	113,765	133,973
Recruitment	36,408	12,292	286	3,647	92	52,725	28,203	2,877	31,080	83,805	68,579
Postage and shipping	16,667	18,088	3,942	3,236	513	42,446	5,455	22,523	27,978	70,424	77,835
Bad debt	28,141	2,255	-	1,403	4,111	35,910	-	-	-	35,910	53,121
Dues	9,164	3,902	2,263	1,110	426	16,865	9,961	908	10,869	27,734	41,744
Total nonpersonnel costs	3,704,427	2,494,805	1,437,553	742,738	283,888	8,663,411	1,079,748	765,275	1,845,023	10,508,434	10,104,179
Total expenses by function	**$ 18,322,230**	**$ 6,936,622**	**$ 3,526,960**	**$ 1,982,465**	**$ 1,646,587**	**$ 32,414,864**	**$ 2,870,804**	**$ 2,498,556**	**$ 5,369,360**	**$ 37,784,224**	**$ 36,121,371**

See notes to financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 1,500,606	$ 1,190,723
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	1,230,832	1,180,399
Loss on sale of assets	325	68,836
Loss (gain) on sale of investments	131,780	(138,986)
Market value adjustments - investments	(1,480,027)	(1,654,404)
Permanently restricted contributions	(1,678,874)	(1,577,330)
Amortization of discount - occupancy rights	487,812	449,708
Actuarial changes in split-interest agreements	(177,967)	85,064
Donated securities	(872,840)	(773,302)
Donated property and equipment	(3,950)	-
Change in operating assets and liabilities		
Accounts receivable	(212,967)	750,844
Grants and contributions receivable	748,844	82,702
Bequests receivable	(2,000,000)	-
Prepaid expense and deposits	(43,835)	130,716
Accounts payable	46,166	166,425
Accrued expenses	(227,760)	(63,654)
Net cash used in operating activities	(2,551,855)	(102,259)
Cash flows from investing activities		
Proceeds from sale of investments	1,834,172	907,425
Purchases of investments	(1,432,652)	(1,884,689)
Purchases of property and equipment	(1,257,366)	(510,330)
Net proceeds from sales of property and equipment	-	43,189
Net proceeds from notes receivable	(89,771)	(32,834)
Net cash used in investing activities	(945,617)	(1,477,239)

See notes to financial statements.

JEWISH FAMILY AND CHILDREN'S SERVICES

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from financing activities		
Permanently restricted contributions	1,678,874	1,577,330
Borrowings on line of credit	13,742,767	7,486,127
Payments on line of credit	(11,638,665)	(6,205,028)
Principal paid on long term debt	(704,085)	(734,147)
Net cash provided by financing activities	3,078,891	2,124,282
Net (decrease) increase in cash and cash equivalents	(418,581)	544,784
Cash and cash equivalents, beginning of year	601,067	56,283
Cash and cash equivalents, end of year	**$ 182,486**	**$ 601,067**
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	$ 651,554	$ 608,723
Investment property (net) in exchange for promise to give	$ 956,225	$ -
Capital expenditures funded by capital lease borrowing	$ 41,724	$ 75,683
Extinguishment of capital lease via trade-in	$ -	$ 30,125

See notes to financial statements.

NOTE 1 – NATURE OF ORGANIZATION

Jewish Family and Children's Services (JFCS) is a not-for-profit organization serving clients in the San Francisco Bay Area. JFCS provides high quality, research-based social and educational services designed to strengthen individuals, families, and the community. JFCS is a problem-solving center for children, families, and older adults facing life transitions and personal crises. JFCS' goal is to strengthen families and improve lives.

Older Adults
JFCS helps older adults to live independently through its Seniors at Home Program which includes homecare services, palliative and end of life care, care management, healthcare advocacy, support for Holocaust survivors, counseling, adult day healthcare, meal delivery, and other practical and spiritual support.

Children and Families
JFCS helps children and families through its adoption agency, housing and advocacy programs, financial advice and assistance, parent education, early childhood mental health services, youth educational and mentoring programs, and counseling and consultation services.

Émigrés
JFCS provides support to those who have immigrated to the Bay Area to acculturate to their new lives by offering legal services, citizenship classes, counseling, loans and grants, and other support services.

Adults
JFCS offers services to adults through its financial assistance and small business loan program, community education programs, social enterprise program, counseling, spiritual care, bereavement and healing program, disabilities services, and other practical support services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Accounting</u>
The accompanying financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

Comparative Financial Information
The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the 2018 financial statements from which the summarized information was derived.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates
The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Financial Presentation
Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- *Net Assets with Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Donor-restricted contributions received and expended in the same reporting period are recorded as net assets without donor restrictions.

Cash and Equivalents
JFCS considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to permanent endowment or other long-term purposes are excluded from this definition.

Accounts Receivable
Accounts Receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At June 30, 2019, the allowance for doubtful accounts totaled $409,070.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions Receivable

Grants and contributions receivable include grants from foundations and corporations, individual gifts and bequests. Grants and contributions receivable are recorded when the gifts become unconditional. Such receivables are recorded at the present value of their estimated future cash flows. The discount on these receivables are computed using risk-adjusted rates applicable in the year in which those grants and contributions were made. Amortization of the discounts is included in contributed income. An allowance for uncollectible grants and contributions receivable is established based upon estimated losses related to specific accounts and is recorded through a provision for bad debt.

Notes Receivable

Notes receivable are primarily low interest student financial aid loans. The loans can be repaid at any time before graduation without interest. The loan period is typically three years with interest rates ranging between 1.95% to 6.75%. For the year ended June 30, 2019, JFCS made student loans with interest rate at 4%. JFCS also makes non-interest-bearing emergency assistance loans. The allowance is estimated from historical performance and projections of trends.

Split-interest Agreements

JFCS is a residual beneficiary of a number of split-interest agreements. These include charitable remainder trusts (CRT), charitable gift annuities (CGA), and pooled income funds (PIF). JFCS' net beneficial interest in the split-interest agreements is the difference between the assets and the liabilities. Assets held in split-interest agreements are recognized at estimated fair value and corresponding liability for each split interest agreement is the present value of the amount payable to the income beneficiary under terms of the agreement. In determining the present value, JFCS utilizes the 2012 Individual Annuity Reserve table, the estimated return on the invested assets, the contractual payment obligations under the agreements, and a discount rate reflective of current market conditions. The discount rate used for CRT and PIF was 6% and 4.5% for the CGAs.

Investments

Investments are stated at their fair value. Net realized, and unrealized gains and losses are reflected as part of other revenues without donor restrictions in the statements of activities. Gains and losses that result from market fluctuations are recognized in the year such fluctuations occur. Dividend and interest income are recognized when earned. Investments also include cash and equivalents, money market funds and certificates of deposits designated for non-current purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment is recorded at cost if purchased, or if donated, at fair value at the date of donation. The cost of assets purchased under $2,000 is charged to expense. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of assets ranging from 3 to 40 years. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Costs and the related accumulated depreciation are eliminated from the accounts when an asset is retired.

Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Measurement of an impairment loss is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less cost to sell. JFCS did not recognize any impairment of long-lived asset losses in the year ended June 30, 2019.

Revenue Recognition

Grants, contributions and bequests are recognized when received or unconditionally promised. Conditional promises to give are not recorded as revenue until the conditions have been substantially met. Investments received through gifts are recorded at fair value at the date of donation. Program service fees are recognized when services have been substantially performed.

Donated Facilities and Services

Donated services are recognized when the services received either (a) create or enhance a nonfinancial asset or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations. For the year ended June 30, 2019, JFCS recognized $68,118 of donated occupancy rights and $50,631 of donated advertising.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statement of Functional Expenses. Expenses applicable to more than one activity, such as personnel, depreciation, and occupancy costs, are allocated among program services and support services based on usage and management estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements
JFCS carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement dates. The fair value of liabilities includes consideration of non-performance risk including JFCS' own credit risk. Fair value reporting standards define a hierarchy of valuation inputs used to establish the fair value of assets and liabilities on the measurement date. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in an appropriate market.

These levels are:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities. The types of instruments included in Level 1 included listed equity securities, exchange traded securities and mutual funds.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. Valuations for assets and liabilities traded in less active dealer or broker markets; or obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs into the determination of fair value require significant judgment or estimation by the reporting entity.

Income Taxes
JFCS is organized as a not-for-profit organization exempt from income tax under provisions of Internal Revenue Code §501(c)(3) and California Revenue and Taxation Code §23701d. Management has analyzed the tax positions taken by JFCS, and has concluded that, as of June 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. JFCS is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Recent Accounting Pronouncements
In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. JFCS has not yet selected a transition method and is currently evaluating the effect that the standard will have on its financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)
In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. JFCS is currently evaluating the impact of the pending adoption of the new standard on the financial statements. JFCS currently expects that upon adoption of ASU 2016-02, right-of-use assets and lease liabilities will be recognized in the balance sheet in amounts that will be material.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for JFCS beginning January 1, 2019. ASU-2016-18 must be applied using a retrospective transition method, with early adoption permitted. JFCS is currently evaluating the impact of the adoption of this guidance on its financial statements. The adoption of ASU 2016-18 is not expected to have a material impact on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) *within* the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 should be applied on a modified prospective basis and retrospective application is permitted. ASU 2018-08 will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. JFCS is in the process of assessing the effect that the guidance will have on its financial statements.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the current three classes of net assets with two new classes, "net assets with donor restrictions" and "net asset without donor restrictions," and expands disclosures about the nature and amount of any donor restrictions.

JFCS adopted ASU 2016-14 as of and for the year ended June 30, 2019 with retrospective application for the 2018 financial statements. JFCS has opted to not disclose liquidity and availability information for 2018, as permitted under the ASU in the year of adoption. In addition, JFCS changed its presentation of net asset classes and expanded the footnote disclosures as required by ASU 2016-14.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2018 follows:

	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Net assets classifications, as previously presented as follows:			
Unrestricted	$ 2,639,161	$ -	$ 2,639,161
Temporarily restricted	-	6,290,235	6,290,235
Permanently restricted	-	36,349,520	36,349,520
Net assets, as reclassified	$ 2,639,161	$42,639,755	$45,278,916

NOTE 4 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$ 182,486
Accounts receivable	2,215,990
Grants and contribution receivable, current portion	4,359,255
Bequest receivable	2,000,000
Budgeted endowment draws per spending rate policy	1,136,074
Net financial assets, after donor-imposed restrictions, available to meet cash needs for general expenditures	$ 9,893,805

NOTE 5 – FINANCIAL INSTRUMENTS AND CREDIT RISK

JFCS manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, JFCS has not experienced losses in any of these accounts.

Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and donors supportive of JFCS' mission. Investments are made by diversified investment managers whose performance is monitored by JFCS and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, JFCS believes that the investment policies and guidelines are prudent for the long-term welfare of JFCS.

Approximately 66% of grants and contribution receivable is from three donors and 42% of grants and contribution revenue is from three donors as of and for the year ended June 30, 2019.

NOTE 6 – GRANTS AND CONTRIBUTIONS RECEIVABLE

As of June 30, 2019, grants and contribution receivable consisted of the following:

Receivable in less than one year (net of allowance for uncollectible pledges of 65,000)	$ 6,359,255
Receivable in one to four years (net of accumulated present value discount of $4,891 and $12,808 in 2019 and 2018)	320,778
Total grants and contributions receivable, net	**$ 6,680,033**

Long-term grants and contributions receivable are discounted with rates ranging from 0.85% to 2.44%.

NOTE 7 – PROMISES TO GIVE – RESTRICTED TO OCCUPANCY RIGHTS

In 1998, JFCS entered into an agreement with Mount Zion Health Fund (MZHF) to form a separate corporate entity called Scott Street Senior Housing Complex, Inc. (SSSHC) for the purpose of creating an assisted living facility, now operating as Rhoda Goldman Plaza. SSSHC was incorporated on September 14, 2000. The Articles of Incorporation of SSSHC stipulate that, should the corporation cease operations, its assets, after payment of liabilities, will be distributed in equal proportion to JFCS and MZHF.

Under the agreement, JFCS contributed real property in exchange for occupancy rights for office space in the new facility. The agreement includes a buyout provision. The buyout amount is based on the initial estimated fair value of the occupancy rights which was recorded as an asset and is reduced each year over the initial 20 years of the lease using an 8% discount rate for the amortization. The discount rate used was specified in the original agreement and results in amortization based on the legal obligation. For the year ended June 30, 2019, JFCS recorded occupancy costs of $555,930, an in-kind contribution of $68,118, and the amortization of the discount of the asset of $487,812.

NOTE 7 – PROMISES TO GIVE – RESTRICTED TO OCCUPANCY RIGHTS (Continued)

The agreement also included an allowance for costs associated with dislocation and relocation of JFCS during the construction phase of the project which has been recorded as an accrued expense in the Statement of Financial Position of $98,754 as of June 30, 2019. Amortization of this allowance of $49,370 for the year ended June 30, 2019.

Promises to give restricted to occupancy rights at June 30, 2019 are due as follows:

Due in less than one year	$ 528,775
Due in one to five years	46,327
	575,102
Less present value discount of 8%	(316)
Total promises to give – restricted to occupancy rights, net	**$ 574,786**

NOTE 8 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The table below summarizes JFCS' investments by the fair value hierarchy at June 30, 2019:

	Total	Level 1	Level 2
Investments			
Cash and cash equivalents [(a)]	$ 680,935	$ -	$ -
Money market	875	875	-
Certificates of deposit	500,343	-	500,343
Equity securities			
Domestic	12,828,728	12,828,728	-
International – developed	7,173,398	7,173,398	-
International – emerging	1,355,444	1,355,444	-
Real assets	1,723,665	1,723,665	-
Fixed income			
Mutual funds	7,279,094	6,669,783	-
Fund of funds [(a)]	6,715,785	-	-
Subtotal	38,258,267	30,361,205	500,343
Assets Held in Split Interest Agreements			
Money market	386,111	386,111	-
U.S. Treasury bills	397,506	397,506	-
Certificates of deposit	24,913	-	24,913
Equity securities			
Domestic	3,826,403	3,826,403	-
International – mutual funds	430,464	430,464	-
Fixed income			
Mutual funds	192,298	192,298	-
U.S. Treasury notes and bonds	439,528	439,528	-
ETFs and closed-end funds	84,111	84,111	-
Municipal bonds	418,293	-	418,293
Corporate bonds	640,857	-	640,857
Subtotal	7,101,898	5,755,721	1,346,178
Total	**$ 45,360,898**	**$ 36,116,925**	**$ 1,846,521**

NOTE 8 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investments are exposed to various risks, including interest rate, credit, and overall market volatility. JFCS maintains a formal investment policy that sets out investment guidelines including asset allocation guidelines and performance benchmarks for each of its investment managers. The investment managers and asset allocation are overseen by an Investment Committee that includes members and non-members of the JFCS' Board of Directors and are reviewed by the Board of Directors.

At June 30, 2019, JFCS held a total of $6,715,785 in a fund of funds which is referred to as "alternative investments", whose values have been estimated by JFCS in the absence of readily ascertainable market values. The estimate of fair value is based on the net asset value (NAV) provided to JFCS by the alternative investment fund, supported by independently audited financial statements of the alternative investment fund, when available.

Alternative Investment Strategy and Redemption Information
The investment strategy, commitments to additional capital contributions, and various features of the alternative investments as of June 30, 2019 and 2018 are as follows:

	Fund of Funds
Fair value	$ 6,715,785
Unfunded commitments	$ -
Redemption frequency	June 30th and December 30th
Redemption notice period	95 days' prior written consent
Holdback	5% holdback for full redemption request

Fund of Funds – This category includes one investment fund with an objective, through its investment in the Master Fund, to produce long-term risk-adjusted returns with low volatility and downside protection qualities, by allocating and reallocating assets among a select group of non-traditional portfolio managers that invest or trade in a wide range of securities and other instruments. It employs various investment strategies to achieve its objective. The top five strategies employed by this Fund include equities-fundamental, multi-strategy, residential mortgages, special situations, and quantitative strategies.

NOTE 9 – NOTES RECEIVABLE

As of June 30, 2019, notes receivable consisted of the following:

Notes receivable	$ 540,692
Allowance for uncollectible loans	(67,363)
Total notes receivable, net	**$ 473,329**

NOTE 10 – PROPERTY AND EQUIPMENT

As of June 30, 2019, property and equipment consisted of the following:

Buildings	$ 20,106,985
Land	6,751,355
Furniture and equipment	3,528,102
Leasehold improvements	2,308,301
Computer equipment	1,873,266
Vehicles	1,298,905
Website	113,943
Construction in progress	124,778
	36,105,635
Less accumulated depreciation	(17,138,361)
Total property and equipment, net	**$ 18,967,274**

Depreciation expense for the year ended June 30, 2019 was $1,230,834, of which $1,174,279 was shown in the Statement of Functional Expenses and $56,555 was included in the rental income account in the Statement of Activities.

NOTE 11 – LINES OF CREDIT

As of June 30, 2019, lines of credit consisted of the following:

Morgan Stanley, a revolving line of credit, secured by investments, amount variable based on a total of $10 million less outstanding term loan balances ($1,699,981 available at June 30, 2019), matures December 2022. Interest at the corresponding PLA index + 2.50% (3.654% at June 30, 2019).	$	3,866,130
First Republic Bank, a revolving line of credit, secured by real property, prime rate plus 0.25% per annum (5.75% at June 30, 2019), pay interest in full monthly and pay principle in full by the maturity date, September 2020. ($2,000,000 available at June 30, 2019)		661,910
Total lines of credit	**$**	**4,528,040**

NOTE 12 – ACCRUED EXPENSES

As of June 30, 2019, accrued expenses consisted of the following:

Current		
Accrued compensation	$	1,414,247
Accrued expenses – other		824,528
Defined contribution plan qualified and non-qualified plans – active		970,010
Relocation costs		49,370
Uninsured obligation		134,179
Total current		3,392,334
Noncurrent		
Accrued expenses – other		970,320
Defined contribution plan qualified plans – active		491,814
Relocation costs		49,384
Uninsured obligation		323,176
Total current		1,834,694
Total accrued expenses	**$**	**5,227,028**

NOTE 13 – CAPITAL LEASE OBLIGATIONS

JFCS leases equipment and vehicles under various capital leases with imputed interest rates ranging from 3.16% to 4.25% and maturity dates at various times through 2023.

The following schedule by years of future minimum payments required under these leases together with their present value as of June 30, 2019 are as follows:

Fiscal Years Ending June 30,	
2020	$ 74,617
2021	47,599
2022	21,183
2023	24,605
2024	23,941
Total minimum lease payments	191,945
Less: amounts representing interest	(20,378)
Present value of the minimum lease payments	**$ 171,567**

The assets under the lease are recorded as follows:

Telephone equipment	$ 171,663
Vehicles	200,390
	372,053
Accumulated depreciation	(210,171)
Net book value	**$ 161,882**

NOTE 14 – NOTES PAYABLE

As of June 30, 2019, notes payable consisted of the following:

First Republic Bank, secured by real property, monthly payments of $34,049 including interest at 4.05%, matures August 2023	$ 6,265,332
Morgan Stanley, portfolio loan account, secured by collateral held in brokerage account, monthly payments of $43,566 including interest at 3.162%, matures December 2022	4,415,893
Jewish Community Federation, unsecured, monthly payments of $16,820 including interest at 4.35%, matures January 2031	1,837,718
Total notes payable	**$ 12,518,943**

Maturities of long-term debt are as follows:

Fiscal Years Ending June 30,	
2020	$ 663,027
2021	688,843
2022	714,354
2023	3,532,480
2024	5,756,383
Thereafter	1,163,856
Total	**$ 12,518,943**

JFCS incurred interest expense of $659,744 for the year ended June 30, 2019. $66,935 was included in the rental income in the Statement of Activities. $193,167 was included in occupancy expense and $399,642 in interest expense in the Statement of Functional Expenses.

NOTE 15 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019, net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose	
Older adults	$ 2,193,781
Facilities use	612,890
Split interest agreements	1,431,697
Loan and grant funds	1,071,583
Children and families	437,700
Adults	359,710
	6,107,361
Subject to the passage of time	
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	310,778
Subject to the Organization's spending policy and appropriation	
Endowment funds restricted in perpetuity	37,994,388
Total net assets with donor restrictions	**$ 44,412,527**

NOTE 15 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors are as follows for the years ended June 30, 2019:

Satisfaction of purpose restrictions	
Older adults	$ 1,418,374
Facilities use	449,708
Split interest agreements	-
Loan and grant funds	119,679
Children and families	282,001
Émigrés	22,500
Adults	634,545
	2,904,308
Satisfaction to time	415,055
Total net assets with donor restrictions	**$ 3,319,363**

NOTE 16 – ENDOWMENT

For the year ended June 30, 2019, JFCS' endowment consists of 379 donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

JFCS' Board of Directors (the "Board") has interpreted the California Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, JFCS classifies the endowment as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by JFCS in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 16 – ENDOWMENT (Continued)

Endowment Spending Policy

In accordance with UPMIFA, JFCS' Board of Directors considers the following factors in making a determination to appropriate funds for distribution:

(1) The duration and preservation of the fund
(2) The purpose of JFCS and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of JFCS
(7) The investment policies of JFCS

JFCS' Board of Directors has adopted a policy of appropriating for distribution each year no more than the weighted average of 70% of the previous year's appropriation adjusted for inflation and 30% of 4% of the fair value of endowment assets as of the measurement date.

In some years, economic conditions lead to distributions from endowment in excess of the Board appropriation. It is the policy of the JFCS' Board of Directors to consider excess distributions as temporary withdrawals from endowment and to maintain an ongoing plan for repayment of excess distributions to endowment.

Investment Policy, Strategies, and Objectives
The Board has adopted investment and spending policies for endowment assets that are intended to provide a predictable stream of funding to programs supported by its endowment funds. Accordingly, it is the goal of the aggregate endowment fund assets (excluding assets segregated for split-interest gifts) to meet or exceed a real rate of return (inflation-adjusted) of 4% after fees and costs, but before annual spending.

Actual returns in any given year may vary from this amount. Endowment assets are invested in a well-diversified asset mix, which includes cash equivalents, fixed income securities, equity securities, mutual funds, exchange traded funds and fund of funds. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed so that the fund is not exposed to unacceptable levels of risk.

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA, as interpreted by the JFCS' Board, requires the Agency to retain as a fund of perpetual duration. There are no deficiencies of this nature reported in net assets as of June 30, 2019.

NOTE 16 – ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of June 30, 2019 and changes in endowment net assets for the year ended June 30, 2019:

Balance, beginning of year	$ 36,549,232
Net investment return	2,178,879
Endowment contributions	1,618,827
Appropriation of endowment assets pursuant to spending rate policy	(1,311,203)
Change in value of net beneficial interest in CRT's dedicated to endowment	26,041
Balance, end of year	$ 39,061,776

NOTE 17 – DEFINED-CONTRIBUTION RETIREMENT PLAN

JFCS sponsors a defined-contribution plan organized as a qualified plan under IRS §403(b). Employees who elect to participate in the plan may make qualified contributions into the plan on a tax deferred basis. Eligible employees also receive an employer contribution. Under terms of the plan, the employer portion is funded subsequent to the end of each calendar year. JFCS records the employer share as retirement benefits in the statement of functional expenses. Pension expense for the 403(b) defined-contribution plan was $925,187 for the year ended June 30, 2019.

NOTE 18 – DONOR-ADVISED FUNDS

During the fiscal year ended June 30, 2019, donor-advised funds activity was as follows:

Balance, beginning of year	$ 1,614,610
Contributions to donor-advised funds	413,771
Grants from donor-advised funds	(698,116)
Balance, end of year	**$ 1,330,264**

Grant recommendations from donor-advised funds are accepted from the donors or other advisors of these funds. JFCS has variance power; that is, the ultimate discretion of the use of these funds lies with the Board of Directors. Grants from donor-advised funds are included in Program Services expenses.

NOTE 19 – LEASE COMMITMENTS

JFCS is obligated under various operating lease agreements for program facilities, which expire at various times through 2040. Rental expense under these leases for the fiscal year ended June 30, 2019 was $214,708. Future minimum lease commitments are as follows:

Fiscal Years Ending June 30,	
2020	$ 241,442
2021	97,451
2022	98,574
2023	99,731
2024	87,012
Thereafter	1,320,000
Total	**$ 1,944,210**

NOTE 20 – SPLIT-INTEREST AGREEMENTS

The following is a summary of assets held in split-interest agreements as of and for the year ended June 30, 2019:

Beginning of year	$ 7,042,315
Income, net of losses	478,726
Terminations	(30,553)
Payments to beneficiaries	(388,590)
End of year	**$ 7,101,898**

The liabilities for the present value of the estimated future payments are $5,002,180 as of June 30, 2019.

NOTE 21 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 27, 2019, the date which the financial statements were available to be issued, and determined the following reportable event has occurred.

On August 30, 2019, JFCS sold its Cleanerific program service and related assets for $125,000.

SUPPLEMENTARY INFORMATION

JEWISH FAMILY AND CHILDREN'S SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-ThroughEntity Identifying Number	Total Federal Expenditures
Department of Health and Human Services			
Medicaid Cluster			
Medical Assistance Program			
California Department of Aging	93.778	MS-1819-26/MS-1718-26	$ 343,220
City and County of SF, Department of Public Health	93.778	10000010834	41,904
City and County of SF, Human Services Agency	93.778	PO 0000220269	17,602
City and County of SF, Human Services Agency	93.778	PO 0000213934	3,121
City and County of SF, Human Services Agency	93.778	PO 0000101054	1,524
Total Medicaid Cluster			*407,370*
California Department of Social Services			
Promoting Safe and Stable Families	93.556	18-7006	65,476
County of Marin			
Special Programs for the Aging– TITLE III, PART B— Grants for Suportive Services and Senior Centers	93.044	19-012	28,000
Community Action Marin			
Head Start	93.600	N/A	9,250
Alzheimer's Association			
National Family Caregiver Support, Title III, Part E	93.052	N/A	37,377
The Jewish Federations of North America			
Administration for Community Living (ACL)	93.048	C-14	83,334
Total Department of Health and Human Services			*630,807*
Department of Homeland Security			
Catholic Charities			
Disaster Assistance Projects	97.088	N/A	65,004
California Governor's Office of Emergency Services			
Non-Profit Security Program	97.008	2017-0024	74,085
Department of Housing and Urban Development			
County of Marin			
Community Development Block Grant	14.218	N/A	18,722
Department of Agriculture			
California Department of Education			
Child and Adult Care Food Program	10.558	N/A	142,245
Department of Transportation			
California Department of Transportation			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	SA 64ACC16-00135	448,000
Total Expenditures of Federal Awards			**$ 1,378,863**

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Jewish Family and Children's Services (JFCS) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of JFCS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of JFCS.

Note 2 – Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

JFCS has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Jewish Family and Children's Services

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jewish Family and Children's Services (the "Organization"), which comprise the statement of financial position as of June 30, 2019, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, the "financial statements"), and have issued our report thereon dated December 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SingerLewak LLP

December 27, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Jewish Family and Children's Services

Report on Compliance for Each Major Federal Program
We have audited Jewish Family and Children's Services' (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program
In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

SingerLewak LLP

December 27, 2019

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statement audited were prepared in accordance to GAAP:	*unmodified*	
Internal control over financial reporting:		
• Material weaknesses identified?	___ yes	_X_ no
• Significant deficiencies identified that are not considered to be material weaknesses?	___ yes	_X_ none reported
Noncompliance material to financial statement noted?	___ yes	_X_ no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	___ yes	_X_ no
• Significant deficiencies identified that are not considered to be material weaknesses?	___ yes	_X_ none reported
Type of auditor's report issued on compliance for major programs:	*unmodified*	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ yes	_X_ no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
#20.513	Department of Transportation, California Department of Transportation, Enhanced Mobility of Seniors and Individuals with Disabilities
#10.558	Department of Agriculture, California Department of Education, Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Audited qualified as low-risk auditee: _X_ yes ___ no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Summary Schedule of Prior Year Audit Findings

No prior year audit findings were reported.